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Funding commitments to UNDP

Status of regular funding commitments to the United Nations Development Programme and its associated funds and programmes for 2013 and onward

Summary

In its decision 98/23, the Executive Board designated its second regular session each year as the time to review the status of regular funding commitments to UNDP and its associated funds and programmes. In line with this decision, the present report presents the status of regular funding commitments for 2013 and onward as well as a summary of the provisional income for regular and other resources received in 2012.

Elements of a decision

The Executive Board may wish to note that 2012 contributions to regular resources decreased by 13.2 per cent, to $846.1 million from $974.51 million in 2011, which is well below the revised funding target of $1.05 billion for 2012 regular resources (DP/2011/22 para. 204). Total contributions (regular and other resources) to UNDP also decreased in 2012 to $4.64 billion, from $4.82 billion in 2011.

The Executive Board may wish to recall General Assembly resolution 67/226 of 21 December 2012 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system; reiterate that regular resources form the bedrock of UNDP funding; and request all countries that have not yet done so to provide contributions to regular resources for 2013.

The Executive Board may wish to uphold the importance of a stable, predictable base of regular resources for the period of the new strategic plan and encourage Member States to announce pledges, on a multi-year basis if feasible, and payment schedules, and to adhere to them.

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I. Introduction

1. In its decision 98/23, the Executive Board designated its second regular session each year, starting in 1999, as the time to review the status of regular funding commitments to UNDP and its associated funds and programmes. In line with that decision, this report presents the status of regular funding commitments for 2013 and onward as well as a summary of the contributions to regular and other resources received in 2012.[1]

2. Contributions to regular (core) resources reached $846.1 million in 2012 in nominal terms. This represents a decrease of 13.2 per cent from the previous year and is well below the revised target of $1.05 billion.

3. Based on the official United Nations rates of exchange as of 1 April 2012, regular resources are expected to increase to $910 million in 2013, partly due to delayed payments budgeted for 2012 and received in 2013. While several top donors to UNDP will maintain and some might increase their contributions in 2013, a few donors have indicated their intention to reduce their contributions. Others have yet to indicate the level of their contribution.

4. Overall contributions to UNDP amounted to $4.64 billion in 2012 compared to $4.82 billion received in 2011, with other (non-core) contributions to UNDP reaching a total of $3.79 billion. Earmarked contributions from bilateral donors in 2012 decreased to $1.33 billion from $1.45 billion in 2011. While earmarked resources entrusted to UNDP by multilateral partners and the European Commission increased to $1.53 billion from $1.51 billion in 2011, local resources provided by programme countries increased to $931 million in 2012, from $884 million in 2011.

5. The quadrennial comprehensive policy review (QCPR) of operational activities for development of the United Nations system is guiding the next strategic plan in setting the vision, orientation and organizational priorities for the future. These in turn will inform the next programming arrangements and the integrated budget. The integrated budget, scheduled for final consideration at the second regular session of the Executive Board in September 2013, will improve transparency, integration, harmonization and comparability with the integrated budgets of the United Nations Population Fund and the United Nations Children's Fund. It will also bring together planning and resource allocation considerations, which in turn will allow for better setting of goals for resource mobilization.

6. The UNDP agenda for organizational change is now aligning with the development of the new strategic plan to ensure that UNDP delivers effectively, in line with new strategic directions, and efficiently, to provide value for money. A major corporate priority that forms part of this agenda is the integrated resource mobilization strategy, which addresses the issue of bringing together core and non-core resources. The strategy delineates the UNDP goal of diversifying its sources of funding so that they include traditional official development assistance partners, emerging economies, programme countries, the private and philanthropic sectors, global and vertical funds and partnerships with multilateral and regional banks.

7. As UNDP evolves its own strategic positioning in carrying forward the outcomes of the United Nations Conference on Sustainable Development (Rio+20), it is also contributing to the development of the post-2015 framework, and continuing to ensure that its work is governed by sound principles of aid effectiveness, including the Doha Declaration on financing for development. These processes as well as the recent QCPR consultations have provided a welcome opportunity to discuss the subject of critical mass. As requested by the General Assembly in resolution 67/226 of 21 December 2012, UNDP is in the process of engaging with other funds and programmes to define common principles for a concept of

[1] The present report includes contributions to UNDP regular resources and to UNDP other resources as detailed in section I. Contributions to the funds and programmes administered by UNDP are referenced in dedicated paragraphs in this report and are not included under the contributions to UNDP. In accordance with standard practice, a detailed account of the overall income and contributions to UNDP will be submitted at the second regular session of the Executive Board 2013 under the segment pertaining to the annual review of the financial situation in 2012.

critical mass of core resources, and will be developing – based on these principles – a proposal for a UNDP-specific definition to be presented to the Executive Board.

II. Background

8. Numerous Executive Board decisions stress the importance of an adequate, stable and predictable level of regular resources for UNDP.[2]

9. As reflected in the annual reports on the multi-year funding framework for the years 2004 through 2007 (DP/2005/16, DP/2006/17 and Corr. 1, and DP/2007/17) and welcomed by the Executive Board in decisions 2005/23, 2006/24 and 2007/26, gross regular resource income achieved in 2004, 2005 and 2007 exceeded the respective annual targets, falling short of the target only in 2006.

10. In its decision 2007/32, the Executive Board approved the integrated financial resources framework of the strategic plan covering the planning cycle 2008-2011, thereby replacing the funding framework and targets embedded in the multi-year funding framework.

11. In its decision 2009/9, the Executive Board extended the strategic plan to 2013. The integrated financial resources framework, as approved in decision 2007/32 and as adjusted and amended in the midterm review of the strategic plan (DP/2011/22, paragraph 204), represents the overall funding target for the strategic plan, encompassing regular and other resources.

United Nations Capital Development Fund

12. The United Nations Capital Development Fund (UNCDF) is the United Nations capital investment agency for the world's 49 least developed countries (LDCs). UNCDF offers a unique combination of flexible seed capital (grants, loans and guarantees) and technical assistance directly to public and private actors, at national and subnational levels, to promote sustainable, inclusive growth in the LDCs – including those emerging from crisis – with a special commitment to bringing about transformational change through upstream policy impact and scalable interventions. Local development finance programmes strengthen public financial management to improve infrastructure investment and delivery of basic services by local government authorities. They also provide access to funding mechanisms, project financing and technical assistance in support of local economic development, including to private sector initiatives. Inclusive finance programmes increase access by poor people and small businesses to financial services including savings, credit, insurance and remittances. Building on its expertise in inclusive finance and local development finance, UNCDF contributes to higher food security, climate change resilience, access to clean energy and to economic empowerment of women and youth.

13. Whenever possible, UNCDF support is provided via national systems, in accordance with the development effectiveness principles laid out in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. UNCDF works in challenging environments – remote rural areas, countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to catalyze larger investment flows from the private sector, development partners and national governments, for significant impact on the Millennium Development Goals, especially Goal 1, eradicate extreme poverty and hunger; Goal 3, promote gender equality and empower women; and Goal 7, ensure environmental sustainability. Established by the General Assembly in 1966 with headquarters in New York, UNCDF is an autonomous United Nations organization affiliated with UNDP.

United Nations Volunteers

14. Set up by the General Assembly in 1970 and administered by UNDP, the United Nations Volunteers (UNV) programme contributes to peace and development through volunteerism worldwide. Volunteerism is a powerful means of engaging people in tackling development challenges and benefits both society at large and the individual volunteer by strengthening

[2] Executive Board decisions 98/23, 99/1 and 99/23, which were reaffirmed in decisions 2002/9, 2002/18, 2003/24, 2004/14, 2005/20, 2006/24, 2007/17, 2008/16, 2009/10, 2010/14, 2011/15 and 2012/10.

trust, solidarity and reciprocity among citizens. UNV contributes to peace and development by advocating for recognition of volunteers, working with Governments, United Nations organizations, peacekeeping and special political missions and other partners to: mobilize national and international UN volunteers; mobilize online volunteers; advocate for volunteerism globally; support the building of national volunteer capacity; and integrate volunteerism into development programming. More than 3,000 UN volunteers annually make important contributions to peacekeeping and special political missions of the United Nations. In reflecting on the tenth anniversary of the International Year of Volunteers (IYV+10) in 2011 that was successfully marked globally, the General Assembly, in resolution 67/138 of 20 December 2012, welcomed the results of IYV+10 and made a renewed commitment to volunteering for peace and development by looking forward to integrating volunteering in the next decade. Additionally, at the end of 2012 the UNDP open trust fund for United Nations youth volunteering was established to support the new UNV youth volunteering programme that will be launched during 2013 in response to the Secretary-General's Five-Year Action Agenda.

15. In 2012, more than 6,807 professionally qualified, experienced and committed women and men from 159 countries served as volunteers in 127 countries in support of United Nations system-wide efforts to promote peace and development, including the achievement of the Millennium Development Goals. Eighty-one per cent of the volunteers were nationals of developing countries, reaffirming the UNV programme as a concrete expression of South-South cooperation. In financial terms, the programme exceeded $237 million, of which just over 3 per cent was financed from the Special Voluntary Fund.

III. Volume

A. Contributions to UNDP regular resources

16. Following steady increases between 2000 and 2007, when contributions to regular resources increased after six years of decline (1995-2000), UNDP regular resources decreased again in 2008, 2009 and 2010, and increased slightly in 2011. Provisional data show that contributions to regular resources for 2012 decreased to $846.1 million from $974.5 million in 2011. The 10 largest contributors to regular resources in absolute dollar terms in 2012 (in order of magnitude) were Norway, Sweden, United Kingdom, Japan, United States, Netherlands, Switzerland, Denmark, Germany and Belgium.

17. The political commitment of Member States to the regular resource base of UNDP is reflected in the fact that 50 countries made contributions to the regular resources of the organization in 2012, including eight countries that increased or resumed contributions. Many programme countries also contributed.

18. None of the members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) increased their contributions in 2012. Contributions in local currency terms to regular resources from 10 OECD/DAC members (Australia, Austria, France, Germany, Ireland, Japan, Netherlands, Portugal, Spain and United States) decreased in 2012, while the other DAC members maintained their 2011 level of contributions in 2012. Two OECD/DAC members – Greece and Italy – did not make regular resource contributions in 2012. Canada's 2012 contribution was received in 2013.

19. In 2012, 22 Member States contributed $1 million or more to regular resources, including 19 of the current 23 OECD/DAC members, as well as China, Saudi Arabia and Turkey.

20. Current projections suggest that, subject to exchange rate fluctuations, contributions to regular resources in 2013 may reach $910 million, still well below the 2013 target of $1.1 billion. Most donors have pledged to maintain their contributions in 2013. While the majority of OECD/DAC members are maintaining their contributions in 2013, a few have indicated their intention to decrease their contributions to regular resources in 2013, and some have yet to convey their intentions at the time of the writing of this report.

21. In many of its decisions, the Executive Board has recognized that the ability of UNDP to fulfil its mandate and to preserve its multilateral, impartial and universal character depends on an adequate and secure regular funding base. Restoring levels and enhancing the predictability of the regular funding of United Nations development activities has been discussed widely, including in the context of the QCPR and the corresponding General Assembly resolutions 56/201, 59/250, 62/208 and 67/226. These resolutions urge organizations of the United Nations development system to address the funding of their operational activities and to explore additional sources of financial support and alternative funding modalities, where appropriate and within the context of their multi-year planning and related financial frameworks. The objective is to secure, on a predictable, continuous and sustained basis, a critical mass of resources required to ensure adequate functioning and the pursuit of long-term development objectives.

B. Contributions to UNDP other resources

22. Other (non-core) resources are earmarked to specific themes, programmes and activities, and represent a critical complement to the regular resource base of UNDP. Provisional data show that the total of non-core resource contributions to UNDP reached $3.79[3] billion in 2012, which exceeded by 1.1 per cent the projection of $3.75 billion estimated in the strategic plan. The level of other resources demonstrates that UNDP continues to be called upon to support Governments to respond to national development priorities.

23. Bilateral contributions from OECD/DAC members amounted to $1.33 billion in 2012. This represents a decrease of 8.3 per cent compared to the previous year. Many donor Governments, including many of the OECD/DAC members, are active in co-financing UNDP programmes.

24. Non-core resources entrusted to UNDP by non-bilateral partners and multilateral funds amounted to $1.53 billion in 2012, an increase of 1.2 per cent over 2011. The European Commission, the Global Environment Facility and the Global Fund to Fight AIDS, Tuberculosis and Malaria provided almost 75 per cent of the resources in this category.

25. Programme country contributions, including local resources in support to their own national development and third party cost sharing, amounted to $931.6 million in 2012, an increase of 5.3 per cent over $884.5 million in 2011. Local resources increased much more sharply than the projected $750 million (by 24 per cent), clearly exceeding the portfolio alignment called for in the strategic plan (DP/2011/22).

United Nations Capital Development Fund

26. In 2012, total contributions to UNCDF resources continued to grow, reaching a record high of $57 million (up from $53 million in 2011). The number and diversity of donors also continued to improve, reaching 36 in 2012 (up from 20 in 2007). The top five donors in 2012 were Sweden, ($10.3 million), MasterCard Foundation ($6.5 million), One UN Fund (multi-donor, $6.3 million), Belgium ($5.8 million) and the European Commission ($4.3 million). While this is a healthy sign of continued and more diverse donor support, much of the recent growth has been in earmarked (other) resources ($43 million in 2012), which have grown by more than 300 per cent in the past seven years. In 2012, a number of new partnerships were launched including an innovative $16 million multi-programme partnership framework for inclusive growth and sustainable development, with Sweden, Norway and Austria supporting seven global programmes; and the Better than Cash Alliance, which includes the United States Agency for International Development, Visa, Bill & Melinda Gates Foundation, Citi Foundation and Omidyar Network, with UNCDF hosting the secretariat.

[3] This includes income received from Member States and multilateral partners for other resources, but excludes interest income, reimbursable support services and extrabudgetary income.

United Nations Volunteers

27. The Special Voluntary Fund enables the UNV programme to cultivate diversified approaches that widen volunteer opportunities and deepen the programmatic integration of volunteerism for peace and development. Although it is a modest fund, its importance cannot be overstressed. From research-based projects to pilot interventions in areas such as youth programming and sustainable development, the Special Voluntary Fund is a catalyst for innovation and leveraging additional external resources that serves as a vital foundation for the evolution of the voluntary sector. Contributions to the Special Voluntary Fund in 2012 slightly decreased from $4.7 million in 2011 to $4.1 million in 2012. Given the catalytic role of resources from the Special Voluntary Fund, the UNV programme is seeking to increase contributions to the Fund so as to further explore, expand and strengthen the role of volunteerism and its contributions to development, through for example the first State of the World's Volunteerism Report, which was launched on 5 December 2011.

28. Contributions for fully funded UN volunteers increased from $13.3 million in 2011 to $15.2 million in 2012, continuing the upward trend of recent years. The participation of civil society and citizen volunteers is needed to implement sustainable development as was recognized in The Future We Want, the Rio+20 outcome document, and made visible through the Volunteer Action Counts campaign, which recorded over 64 million volunteer actions for sustainable development. UNV connects many thousands of volunteers with organizations working on the Millennium Development Goals. This is inspiration in action.

C. Overall contributions to UNDP

29. Overall contributions to UNDP amounted to $4.64 billion in 2012 compared to $4.82 billion in 2011. As detailed above, contributions to regular resources decreased from $975 million in 2011 to $846.1 million in 2012. Other or non-core contributions to UNDP also decreased from $4.82 billion in 2011 to $4.64 billion in 2012. The ratio of regular to other resources remained approximately 1:5 in 2012.

30. In its resolution 67/226, the General Assembly noted with concern that the share of core contributions to United Nations funds, programmes and specialized agencies had declined in recent years. For UNDP, the Executive Board also noted in its decision 2012/10 the trend towards the increased use of restrictively earmarked contributions.

31. Building on General Assembly resolution 64/289 on system-wide coherence, UNDP intends, as mentioned in the introduction, to discuss the concept of critical mass of regular resources in collaboration with other funds and programmes in order to define common principles, as requested in the context of the QCPR (General Assembly resolution 67/226).

IV. Predictability

32. As reflected in General Assembly resolution 67/226 and in Executive Board decision 98/23 (which was reaffirmed in decisions 99/1, 99/23, 2002/9, 2004/29, 2005/23, 2006/24, 2007/17, 2008/16, 2009/10, 2009/20, 2010/29, and 2012/10), Member States are encouraged to contribute on a multi-year basis, in a sustained and predictable manner.

33. In May 2013, the Administrator wrote to all Member States about funding in preparation for the annual session of the Executive Board. In line with Executive Board decisions 98/23 and 99/1[4], Member States are requested to communicate their voluntary contributions to UNDP and its associated funds and programmes, and are encouraged to provide multi-year pledges.

34. At the time of the preparation of the present report, 39 Member States had indicated their 2013 pledges. However, a number of Member States were not yet in a

[4] These decisions were reaffirmed in decisions 99/23, 2000/1, 2002/9, 2004/14, 2005/23, 2006/24, 2007/17, 2008/16, 2009/10, 2009/20, 2010/29, 2011/15 and 2012/10.

position to convey their pledges. Tables 1 and 2 contained in the statistical addendum to this report (available on the Executive Board website) are based on information received and the best estimates of UNDP, using 2012 contributions. Table 2(c) provides information on government in-kind contributions. All 2012 figures are provisional and subject to modification upon confirmation of actual income figures for the year.

35. Over the initial, four-year time span of the current strategic plan, seven donors had made multi-year pledges to regular resources ranging from two to four years: Australia, Belgium, Canada, Luxembourg, Netherlands, Spain and United Kingdom. New and renewed multi-year pledges covering the new strategic plan will be vital if UNDP is to have a predictable resource base. Member States unable to provide a formal multi-year pledge because of national legislative or other restrictions are strongly encouraged to provide indicative amounts for the forthcoming years.

36. In its decision 98/23, the Executive Board determined that the predictability of core resources could be strengthened if Member States announced specific payment schedules, with early payment encouraged. In paragraph 12 of the decision, the Board decided, inter alia, to review each year at its second regular session the timing of payments made in the previous calendar year. For 2013, most donors have not provided any fixed payment schedule. However, several have already made partial payment towards their 2013 pledges or paid their contributions in full (see schedule 3).

37. A number of donors delayed payment of significant proportions of their pledges until the last quarter in 2012 (38 per cent was still outstanding in the last quarter), adversely affecting the core cash flow of UNDP. To avoid drawing on its operational reserve, UNDP took measures during the year to cut back, delay or postpone expenditures. As of 1 April 2013, 25 per cent of the projected 2013 gross regular resources income has been received, with three OECD/DAC donors (Luxembourg, Netherlands and Norway) having paid their contributions in full.

38. Table 3 in the statistical addendum to the present report includes a payment schedule for contributions for 2013 that have been communicated to the Executive Board secretariat at the time of writing this report. The secretariat notes with appreciation the efforts to date of donors who communicated payment schedules, as well as the efforts made by donors who paid their contributions early and in full. Member States that have not already done so are encouraged to inform the secretariat of their intended payment schedules, including, where possible, early payment. Members are encouraged to adhere to their respective schedules in terms of the currency and timing of payments.

V. Diversifying the donor base

39. In its decisions 98/23, 99/1 and 2010/14, the Executive Board recognized that only a limited number of donors support the long-term financial sustainability of UNDP. Accordingly, and most recently in decision 2012/10, it has encouraged all donors and programme countries in a position to do so to increase their contributions to regular resources. It also called on Member States to make multi-year pledges, and to make their contributions by the first half of the year in order to ensure effective programming.

40. It is estimated that the 10 largest donors to UNDP will provide close to 85 per cent of regular resources in 2013. In 2000, the top 10 donors accounted for 86 per cent of contributions to regular resources. With the aim of broadening the funding base, UNDP has redoubled its efforts to reach out systematically to current and prospective development partners to build commitment for common action in order to ensure that the resource base of the organization also reaches agreed target levels.

41. In 2012, 50 Member States made contributions to regular resources compared to 58 countries in 2011. Of these 50 countries, eight (all of which are programme countries) either increased or resumed contributions in 2012 (Afghanistan, Bangladesh, Estonia, Hungary, Kazakhstan, Mozambique, Sri Lanka and Turkey). Total regular resource contributions from programme countries, after the application of the accounting linkage towards local office costs, amounted to approximately $9.2 million in 2012. Three programme countries (China, Saudi Arabia and Turkey) contributed $1 million or more to the regular resource base of the organization.

42. More programme countries are also invited to contribute to non-core resources of the organization. Many programme countries are already funding projects in other programme countries through South-South cooperation arrangements as well as contributing towards local office costs and government in-kind contributions, such as the provision of rent-free office premises, in addition to contributing substantial resources to UNDP programmes in their respective countries. Contributions from programme countries to other resources (local resources and third party cost-sharing) increased by 5.3 per cent from $884.5 million in 2011 to $931.6 million in 2012.

United Nations Capital Development Fund

43. The UNCDF donor base continued to grow and diversify in 2012 with 36 donors (up from 33 in 2011 and 20 in 2007) contributing to UNCDF resources, including $10 million from major private sector foundations and corporations, representing 18 per cent of total income. Despite considerable improvements in donor diversification and burden-sharing in recent years, UNCDF continues to be dependent on a limited number of donors for contributions to its regular resources, currently approximately $17 million (including a $2.3 million allocation from UNDP). The level of core resources falls short of the estimated $25 million minimum threshold required to sustain UNCDF operations in 40 LDCs to which UNCDF has committed support in its investment plan. As a result, UNCDF in 2012 initiated stakeholder consultations on scenarios for its future, based on Executive Board decision 2012/12. The consultations confirmed the relevance of the UNCDF practice areas, flexible investment mandate and interventions in the post-2015 development framework. The stakeholder consultations held in 2012 and early 2013 have identified different possible ways to address the unsustainable imbalance between regular and earmarked resources. UNCDF, encouraged by the consultations, is exploring new sources of financing for development with potential private sectors partners.

United Nations Volunteers

44. UN volunteers work in 127 countries around the world, enabling communities to contribute to peace and development. It is the volunteer ethos of UNV that makes it special in the United Nations family. Donor contributions continued to be critical in the development of volunteerism programming and mobilizing volunteers. Throughout 2012, UNV made successful strategic efforts to widen, diversify and ensure predictability of its donor base, including to non-traditional donors such as middle-income countries. A number of donors contributed for the first time or renewed their commitment to UNV. Despite the financial crisis, UNV was able to record overall growth of almost 10 per cent in donor funding to a total of $23.3 million (encompassing the UNV full funding scheme, cost sharing and the Special Voluntary Fund).

VI. Conclusion

45. The overall level of resources entrusted to UNDP demonstrates the support extended to UNDP by Member States and partners. In 2013, regular resources are expected to increase to $910 million, in part due to delayed payments from 2012. More generally, the absence of multi-year commitments from a number of key donors points to a trend for concern in the level of core contributions in the years ahead.

46. The ability of UNDP to deliver effective capacity-building support for development depends on a critical mass of funding, with regular resources forming the bedrock of UNDP finances. UNDP relies on this bedrock to support strategic and flexible management approaches focused on long-term effectiveness. Development is a long-term challenge that requires strategic focus together with tactical flexibility and an ability to respond to crises and opportunities.

47. As part of its organizational change agenda, UNDP is fully committed to ensuring rigorous reporting on the results to which it contributes. It is also determined to find the most effective and efficient way to use the resources entrusted to it. UNDP continues to accord the highest priority to securing an adequate, stable and predictable base of regular resources and to finding a viable ratio of regular to other resources. The integrated resources framework of the strategic plan as adjusted and amended in the midterm review (DP/2011/22, paragraph 204) requires the full support of partners to achieve the prescribed targets.